

Message Text

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SUBJECT: TEXTILES: BILATERAL AGREEMENT BETWEEN THE EC AND INDIA

REF: STATE 165986

1. BEGIN SUMMARY: THIS CABLE SUMMARIZES THE SALIENT FEATURES OF THE TEXTILE AGREEMENT INITIALED BETWEEN INDIA AND THE EUROPEAN COMMUNITIES.

THE AGREEMENT PROVIDES FOR LIMITS IN SPECIFIC CATEGORIES AND COJSULTATION PROCEDURES THAT MIGHT APPLY TO OTHER CATEGORIES OF TEXTILE PRODUCTS. END SUMMARY.

2. AS REQUESTED IN REFTEL, WE HAVE FORWRDED BY AIRMAIL TO EB/FTD AND TO PHELAN AT GENEVA COPIES OF THE EC/INDIA TEXILTE AGREEMENT. THE AGREEMENT, WHICH HAS BEEN INITIALED BY REPRESENTATIVES OF INDIA AND THE COMMISSION, HAS JUST RECEIVED THE APPROVAL OF THE ENTIRE COMMISSION IT WILL NOW BE SUBMITTED TO THE COUNCIL OF THE EUROPEAN COMUNITIES FOR RATIFICATION. WE HAVE NO INFORMATION ON WHETHER PROVISIONS OF THIS AGREEMENT WILL RUN INTO DIFFICULTIES WITH PARTICULAR MEMBER STATES IN THE COUNCIL. FORMAL SIGNATURE MUST AWAIT THE APPROVAL OF THE COUNCIL. THE REST OF THIS CABLE IS A SUMMARY OF THE AGREEMENT.

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3. THE AGREEMENT IS TO BE GOVERNED BY THE PROVISIONS OF THE

GENEVA ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES.
INDIA AGREES TO ESTABLISH LIMITS ON ITS SHIPMENTS OF CERTAIN
CATEGORIES OF TEXTILES TO SPECIFIC MEMBER STATES (ANNEX I).
THE COMMUNITY MAY, HOWEVER, AGREE TO REALLOCATE THESE
QUANTITIES AMONG THE MEMBER STATES. THE SPECIFIC LIMITS IN
ANNEX I FOR THE WHOLE OF THE EC ARE AS FOLLOWS (IN METRIC TONS):

CATEGORY	1975	1976	1977
55.09			
COTTON FABRICS	34,940	37,390	40,000
WITHIN THE ABOVE,			
EX 55.09, COTTON			
FABRICS OTHER THAN	3,500	3,750	4,000
BLEACHED			
61.02.87			
WOMEN'S COTTON SHIRTS			
AND BLOUSES	954	954(SIC)	1.014N
62.02.11,41,43,47,			
71,73	7,592	8,015	8,544

IN EACH OF THESE CATEGORIES THE UK TAKES BY FAR THE LARGEST
SHARE BUT ITS PERCENTAGE INCREASE EACH YEAR IS MINIMAL WHEREAS
THE PERCENTAGE INCREASE FOR MEMBER STATES TAKING SMALLER
QUANTITIES IS CONSIDERABLY HIGHER. THE COMMUNITY WILL CONSIDER
PERMITTING INCREASES IN THE QUANTITATIVE LIMITS IF
ADDITIONAL DEMAND DEVELOPS WITHIN THE COMMUNITY'S MARKET.
THE LIMITS DO NOT APPLY TO ITEMS RE-EXPORTED FROM THE COMMUNITY.

4. THE COMMUNITY AGREES TO SUSPEND ITS CURRENT QUANTITATIVE
IMPORT RESTRICTIONS AND NOT TO INTRODUCE NEW ONES (HOWEVER,
ARTICLE 12 PERMITS CONTINUATION OF QUOTAS IN IRELAND UNTIL
JUNE 30, 1977 OF ITEMS 55.05 - WHOLESALE COTTON YARN;
55.06 - RETAIL COTTON YARN; AND 55.07 COTTON GAUZE.)

5. THERE IS NO QUANTITATIVE LIMIT ON COTTON HAND-LOOMED
FABRICS, CERTAIN PRODUCTS OF COTTAGE INDUSTRIES AND HAND-MADE
INDIAN FOLKLORE TEXTILE PRODUCTS.

6. THE PARTIES AGREE TO CONSULT UPON THE OTHER'S DEMAND ON
ANY MATTER CONCERNING TEXTILE TRADE. THE COMMUNITY MAY REQUEST
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CONSULTATIONS IN REGARD TO PRODUCTS LISTED IN ANNEX II IN CASE
OF REAL RISKS OF MARKET DISRUPTION. ANNEX II INCLUDES ITEMS
55.08 - COTTON TERRY TOWELING; CERTAIN PRODUCTS FROM ITEM
60.04- TEESHIRTS; 61.03.04 - MEN'S COTTON SHIRTS; AND 61.05.B.30-
COTTON HANDKERCHIEFS. THE COMMUNITY MAY ALSO REQUEST CONSULTATIONS
IN CASE OF REAL RISKS OF MARKET DISRUPTIONS ON PRODUCTS
OTHER THAN THOSE IN ANNEXES I AND II. THE COMMUNITY MAY ALSO
CONSULT OF ITEMS ON ANNEX I CAUSE REAL RISKS OF MARKET

DISRUPTION. IN ALL SUCH CASES INDIA'S LIMITS ON EXPORTS WOULD BE NO LONGER THAN 107 PERCENT OF THE COMMUNITY'S IMPORTS IN THE PREVIOUS YEAR. INDIA MAY REQUEST CONSULTATION IF IT BELIEVES IT IS BEING PLACED IN AN INEQUITABLE POSITION.

7. ANNEX III OF THE AGREEMENT CONTAINS THE RESULTS OF THE FIRST SUCH CONSULTATION ON ITEMS IN ANNEX II. FOR 1975 IT LIMITS TERRY-TOWELING INTO THE UK TO 450 TONS, TEESHIRTS INTO FRANCE TO 2,250,000 UNITS, MEN'S COTTON SHIRTS INTO THE UK TO 663,960 UNITS AND COTTON HANDKERCHIEFS INTO THE UK TO 4,344,933 DOZEN. SHOULD THESE LIMITS BE PROLONGED AFTER 1975, THEY SHALL BE INCREASED BY AT LEAST 7 PERCENT.

8. THERE IS A PROCEDURE FOR TRANSFERS AMONG PRODUCTS WITHIN SPECIFIC QUANTITATIVE LIMITS AND FOR CARRY-BACK AND CARRY-FORWARD, BUT THESE ARE GENERALLY NOT TO EXCEED 10 PERCENT (OR OCCASIONALLY 5 OR 7 PERCENT). THERE ARE FURTHER CONTROLS TO MAKE SURE THAT TOTAL TRANSFERS INTO ANY ONE CATEGORY DO NOT EXCEED 15-20 PERCENT OF THE SPECIFIED LIMITS ON THAT CATEGORY.

9. INDIA WILL ATTEMPT TO INSURE THAT ITS EXPORTS ARE EVENLY-SPACED THROUGH THE YEAR. THE PARTIES AGREE TO SET UP A SYSTEM OF DOUBLE CONTROLS TO MONITOR THE QUANTITATIVE LIMITS.

10. THE AGREEMENT WILL ENTER INTO FORCE AS OF JANUARY 1, 1975 AND REMAIN IN FORCE UNTIL DECEMBER 31, 1977# THOUGH EITHER PARTY MAY PROPOSE MODIFICATIONS OR DENOUNCE THE AGREEMENT, GIVING NOTICE AT LEAST 120 DAYS BEFORE THE END OF THE 12-MONTH PERIOD.

11. THE AGREEMENT ALSO CONTAINS A PROPOSED EXCHANGE OF NOTES IN WHICH THE INDIAN GOVERNMENT WOULD STATE THAT THE LIMITS

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ON HOUSEHOLD LINENS IN ITEM 62.02 FOR 1976 AND 1977 DO NOT TAKE INTO ACCOUNT INDIA'S POTENTIAL FOR EXPORTS INTO THE COMMUNITY MARKET. THE COMMUNITY WILL CONSEQUENTLY AGREE TO REVIEW THIS SITUATION.
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